

Message Text

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SUBJECT: INTSUM 245 - FEBRUARY 2, 1977

NOT RELEASABLE TO FOREIGN NATIONALS

1. LEBANON. WE CANNOT BE TOTALLY CERTAIN WHAT IS OCCURRING IN SOUTHERN LEBANON. HOWEVER, THE CURRENT PHASE SEEMS TO HAVE BEGUN WHEN THE CHRISTIANS LAUNCHED AN OFFENSIVE ABOUT TEN DAYS AGO. THEIR PURPOSE APPEARS TO HAVE BEEN TO EXPAND THEIR BUFFER ZONE BY PUSHING THE PALESTINIANS OUT OF SEVERAL MUSLIM VILLAGES AND TO CAPTURE SEVERAL STRATEGIC LOCATIONS. THE ISRAELIS QUITE POSSIBLY ENCOURAGED THE CHRISTIANS IN ORDER TO WARN THE SYRIANS NOT TO ADVANCE AND TO FURTHER INSULATE THEIR NORTHERN BORDER. WE CANNOT, OF COURSE, SUBSTANTIATE THAT. IN THE LAST FEW DAYS THE PALESTINIANS HAVE COUNTER-ATTACKED. THE FIGHTING IS NOW OCCURRING AT SEVERAL
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LOCATIONS WHICH SEVERELY TAXES THE CHRISTIANS' LIMITED MANPOWER (ABOUT 1000). IF THE CHRISTIANS GET INTO SERIOUS TROUBLE, THE ISRAELIS WILL BE UNDER ADDED PRESSURE TO ASSIST THEM.

2. TENSION ALSO INCREASED IN NORTHERN ISRAEL WHEN AN ISRAELI PATROL CAME UNDER FIRE YESTERDAY MORNING NEAR THE ISRAELI VILLAGE OF ZARIT, WHICH IS NOT FAR FROM THE PALESTINE-CONTROLLED TOWN OF BINT JBAYL IN SOUTHERN LEBANON. PRESS REPORTS SAID THE IDF PATROL

RETURNED THE FIRE BUT SUFFERED NO CASUALTIES. THIS WAS THE FIRST ATTACK ON ISRAEL FROM LEBANON SINCE EARLY DECEMBER.

3. FURTHER SUCH INCIDENTS WILL INCREASE PRESSURE ON RABIN TO RESPOND MILITARILY TO EVENTS IN LEBANON. THE PRIME MINISTER NOTED IN A PUBLIC STATEMENT LATE MONDAY THAT ISRAEL HAD BEEN PATIENT IN DEALING WITH THE PRESENCE OF SYRIAN TROOPS IN SOUTHERN LEBANON, BUT THAT ISRAELI PATIENCE SHOULD NOT BE TAKEN AS A SIGN OF WEAKNESS OR AS A CHANGE IN THE ISRAELI POSITION. ISRAEL'S ONLY CONCERN, ACCORDING TO RABIN, CONTINUED TO BE ISRAEL'S SECURITY, AND, AT THE MOMENT, ISRAEL PREFERRED TO HANDLE THAT BY DIPLOMATIC MEANS. (SECRET/NOFORN)

4. EGYPT. A NUMBER OF LARGELY COSMETIC CHANGES IN THE CABINET WERE ANNOUNCED YESTERDAY AS PART OF WHAT HAS BEEN A LACKLUSTER RESPONSE BY PRESIDENT SADAT TO THE RIOTS THAT SHOOK HIS GOVERNMENT SOME 10 DAYS AGO. IN THE MOST PROMINENT CHANGE, PRIME MINISTER SALIM TAKES OVER THE INTERIOR MINISTRY PORTFOLIO FROM HIS PROTEGE, SAYID FAHMY. FAHMY APPARENTLY IS BEING MADE THE SCAPEGOAT FOR THE DISTURBANCES BECAUSE OF HIS FAILURE TO ACT MORE EFFECTIVELY IN HEADING OFF THE MOST SERIOUS
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CIVIL UNREST IN EGYPT SINCE 1952.

5. SIX OTHER MINISTERIAL-LEVEL POSTS ALSO CHANGED HANDS, BUT SADAT DID NOT REMOVE ANY OF THE MINISTERS ON DEPUTY PRIME MINISTER KAISSOUNI'S ECONOMIC TEAM WHO PARTICIPATED IN THE DECISIONS THAT ULTIMATELY TRIGGERED THE RIOTS. SADAT OBVIOUSLY IS HARD PRESSED TO COME UP WITH MEANINGFUL WAYS OF ALLEVIATING THE SERIOUS ECONOMIC CONDITIONS THAT WERE THE ROOT CAUSE OF THE RIOTS. DURING THE PAST FEW YEARS HE HAS MADE A SERIES OF APPEALS TO STUDENT, WORKER, AND PROFESSIONAL GROUPS TO BE PATIENT WHILE THE GOVERNMENT CONTINUED ITS EFFORTS TO CORRECT THE MANY INEQUITIES IN THE EGYPTIAN ECONOMY.

6. THE JANUARY RIOTS HAVE DEALT SADAT A DAMAGING BLOW. HE MUST NOW TAKE DECISIVE STEPS OR RISK BEING PERMANENTLY WEAKENED. HE WILL EXPECT FRIENDLY NATIONS, PARTICULARLY SAUDI ARABIA AND THE US, TO BE GENEROUS WITH EMERGENCY ECONOMIC ASSISTANCE. THE US WILL ALSO BE ASKED WITH EVEN GREATER URGENCY TO MOVE THE PEACE PROCESS FORWARD TO ALLOW SADAT TO APPEAR IN HIS PREFERRED ROLE AS GLOBAL STATESMAN AND TO VINDICATE HIS ORIENTATION TOWARD THE WEST. THE IMPACT OF RECENT EVENTS IS PARTICULARLY IMPORTANT IN FOUR AREAS: SADAT'S POSITION, THE ECONOMY, PEACE NEGOTIATIONS, AND RELATIONS WITH THE US.

7. SADAT'S POSITION. SADAT'S ABSENCE FROM PUBLIC VIEW FOR MORE THAN A WEEK AFTER THE RIOTS RAISED SERIOUS QUESTIONS ABOUT THE FIRMNESS OF HIS GRIP ON THE COUNTRY. ALTHOUGH HE REEMERGED LAST FRIDAY WITH A DRAMATIC APPEARANCE AT A PRESTIGIOUS MOSQUE, HIS SPEECHES HAVE BEEN SHORT ON SOLUTIONS TO EGYPT'S PROBLEMS. TO DISASSOCIATE HIMSELF FROM THE PRICE INCREASES THAT SPARKED THE RIOTS AND TO OFFER SOME RELIEF FOR EGYPT'S POORER CITIZENS, SADAT PROBABLY WOULD HAVE TO DISMISS
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OFFICIALS HE CONSIDERS INDISPENSABLE; DEMONSTRATE THE BENEFITS OF EXTERNAL LARGESSE, WHICH HE CAN ONLY HOPE IS FORTHCOMING; AND ENGAGE IN BUDGETARY SLEIGHT-OF-HAND WHICH WOULD MERELY DELAY EGYPT'S DAY OF FINANCIAL RECKONING. HE MUST ALSO ADDRESS THE INEQUALITY OF INCOME DISTRIBUTION AND CORRUPTION IN HIGH PLACES THAT UNDERLIE MUCH OF THE PUBLIC DISCONTENT.

8. EVEN IF SADAT MOVES DECISIVELY IN THESE AREAS, HOWEVER, HE MAY HAVE LOST HIS AURA OF INVINCIBILITY. THE BURDEN OF COMPETENCE IS, AFTER ALL, ON HIM PERSONALLY, NOT ON HIS MINISTERS. UNTIL A RESUMED PEACE PROCESS DIVERTS PUBLIC ATTENTION TO FOREIGN AFFAIRS, HIS STRONGEST SUIT, HIS EFFECTIVENESS WILL BE JUDGED IN LARGE PART BY HIS HANDLING OF ECONOMIC AFFAIRS, HIS WEAKEST. IF HIS ACTIONS DO NOT AT LEAST IMPROVE THE PSYCHOLOGICAL ATMOSPHERE IN THE COUNTRY, CIVIL DISORDER CAN BE EXPECTED TO RECUR, WITH SADAT'S TENURE IN OFFICE A POSSIBLE VICTIM.

9. THE ECONOMY. THE BUDGET PICTURE IS DISMAL, ALTHOUGH PROSPECTS FOR EXTERNAL RELIEF MAY HAVE IMPROVED SOMEWHAT. SADAT HAS ORDERED THAT MILITARY EXPENDITURES AND SUBSIDIES ON CONSUMABLES NOT BE CUT. THESE ARE THE TWO LARGEST CONTRIBUTIONS TO THE HUGE BUDGET DEFICIT. HAVING MADE THESE ORDERS PUBLIC, THEY BECOME PROMISES THAT SADAT WILL HAVE GREAT DIFFICULTY FULFILLING. ON THE OTHER HAND, THE RIOTS APPEAR TO HAVE PERSUADED SAUDI ARABIA TO BE MORE FORTHCOMING. THE SAUDIS FEAR THE DOWNFALL OF SADAT AND MAY NOW BE SOMEWHAT LESS CONCERNED OVER HOW THEIR FUNDS ARE SPENT.

10. HOWEVER, BASIC REFORMS IN THE ECONOMY CONTINUE TO BE NECESSARY PRECONDITIONS FOR EXTERNAL DEVELOPMENT ASSISTANCE ON A LARGE SCALE. YET EVEN GRADUAL APPROACH TO REFORMS WOULD PROVOKE STRONG POLITICAL OPPOSITION
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NOW THAT THE REGIME'S CRITICS HAVE SEEN THE GOVERNMENT'S HASTY RETREAT FROM THE MORE SWEEPING MEASURES ANNOUNCED LAST MONTH.

11. PEACE NEGOTIATIONS. THE RIOTS THEMSELVES WILL NOT NECESSARILY MAKE SADAT LESS ABLE TO PURSUE PEACE NEGOTIATIONS. EGYPT REMAINS AS IMPORTANT TO THE ARAB SIDE FOR THE PURSUIT OF PEACE--OR WAR--WITH ISRAEL AS IT WAS BEFORE THE DISTURBANCES. SADAT WILL CONTINUE TO SPEAK AUTHORITATIVELY FOR EGYPT ON THE INTERNATIONAL STAGE AND WILL STILL PUSH THE ARAB PEACE OFFENSIVE. INDEED, HE IS PROBABLY MORE ANXIOUS THAN EVER FOR THE NEGOTIATING PROCESS TO RESUME.

12. RELATIONS WITH THE US. SADAT WILL BE LOOKING EVEN MORE INTENTLY FOR SIGNS THAT THE ADMINISTRATION INTENDS TO EXPAND AND DEEPEN ITS RELATIONS WITH EGYPT. HE DESPERATELY WANTS TO DEMONSTRATE THAT THE "OPENING TO THE WEST" MEANS MUCH MORE THAN HIGHER PRICES FOR EGYPTIANS, AND HE UNDOUBTEDLY HOPES THAT THE US WILL SUPPLY SOME ASSISTANCE THAT IS MEANINGFUL TO POOR EGYPTIANS IN CONJUNCTION WITH THE SECRETARY'S FORTHCOMING VISIT. THE US WILL ALSO BEAR THE BRUNT OF SADAT'S INCREASING IMPATIENCE FOR ARAB-ISRAELI NEGOTIATIONS TO SHOW PROGRESS, SINCE HE HIMSELF WILL BE HELD TO ACCOUNT SHOULD OUR ACTIONS FAIL TO MEASURE UP TO EGYPTIAN EXPECTATIONS.
(SECRET)

13. UN. SECRETARY GENERAL WALDHEIM IS SCHEDULED TO ARRIVE IN CAIRO TODAY, AFTER A STOP IN GENEVA YESTERDAY, TO BEGIN HIS TOUR OF MIDDLE EAST CAPITALS, WHERE HE WILL DISCUSS THE RECONVENING OF THE GENEVA PEACE CONFERENCE. HE DECIDED YESTERDAY ALSO TO INCLUDE SAUDI ARABIA ON HIS ITINERARY. UN OFFICIALS NOTED THAT SAUDI ARABIA HAD BEEN ADDED DUE TO ITS CENTRAL ROLE IN THE MIDDLE EAST AND SAID WALDHEIM WOULD SOLICIT
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SAUDI VIEWS ON THE ARAB-ISRAELI PROBLEM. (UNCLASSIFIED)

14. PALESTINIANS. EMBASSY DAMASCUS HAS RECEIVED CONFLICTING REPORTS AS TO WHETHER PALESTINIAN TERRORIST ABU DAOUD IS STILL UNDER SYRIAN ARREST. ACCORDING TO EMBASSY SOURCES, ABU DAOUD WAS DETAINED BY THE SYRIANS IN LEBANON, BUT ONE SOURCE REPORTED THAT, CONTRARY TO EARLIER REPORTS, HE HAD BEEN RELEASED AND HAD NOT BEEN TRANSFERRED TO DAMASCUS. (CONFIDENTIAL)

15. SAUDI ARABIA. SAUDI MEDIA GAVE PRESIDENT GISCARD'S VISIT THE WIDEST COVERAGE EVER EXPERIENCED IN THE KINGDOM, ACCORDING TO EMBASSY JIDDA. THE SAUDIS VIEW THE VISIT AS AN IMPORTANT ILLUSTRATION OF CLOSE FRANCO-ARAB

RELATIONS AND AS A MEANS OF SHOWING SAUDI APPRECIATION FOR
FRANCE'S MODERATE POSITION ON THE MIDDLE EAST QUESTION.
(UNCLASSIFIED)

16. IRAQ. TWO RECENT PUBLIC STATEMENTS BY REGIME
STRONGMAN SADDAM HUSSEIN APPEAR CALCULATED TO PREPARE
THE IRAQI PUBLIC AND BAGHDAD'S REJECTIONIST PALESTINIAN
ALLIES FOR A SHIFT TOWARD A MORE PASSIVE STANCE ON
NEGOTIATIONS FOR AN ARAB-ISRAELI SETTLEMENT. PRIOR TO
THESE STATEMENTS, THE IRAQIS VEHEMENTLY OPPOSED ANY
NEGOTIATED SETTLEMENT WITH ISRAEL. ALTHOUGH SADDAM
HUSSEIN IS STILL FAR FROM BEING A MODERATE--AS HE WARNS
THAT ARAB FLEXIBILITY USUALLY IS FOLLOWED BY AN ARAB
RETREAT AND DESCRIBED THE IRAQI AIM AS THE EVENTUAL
REPLACEMENT OF JEWISH ISRAEL WITH A SECULAR STATE--HE
HAS COME OUT IN FAVOR OF NEGOTIATIONS THAT WOULD GAIN
TERRITORY FOR THE PALESTINIANS.

17. SADDAM HUSSEIN MAY ALSO HAVE MODERATED HIS
PREVIOUS POSITION ON A SETTLEMENT TO BRING IRAQI
VIEWS CLOSER TO THOSE OF THE SOVIET UNION. (HE IS
CURRENTLY VISITING MOSCOW.) IN HIS STATEMENTS, HUSSEIN
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WAS VERY CAREFUL TO REFER TO THE SOVIET UNION AND THE US
IN EQUAL TERMS AS "CENTERS OF POWER." THIS POSTURE
MAY REFLECT AWARENESS THAT THE USSR MIGHT SUPPORT AN
ARAB CONSENSUS THAT THE TIME FOR A SETTLEMENT HAD COME.
(CONFIDENTIAL)
VANCE

SECRET

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